

Mutuality and German Football – an Exemplar of Sustainable Sport Governance Structures?

Abstract

German football has been hailed as the ‘holy grail’ of sustainable governance structures by their European counterparts. With laws favouring members’ associations, efficient nonprofit governance structures and sustainable financial regulations resulting in profitable leagues it seemed to warrant further investigation. Focusing on the purest form of the members’ association model, an eingetragener Verein (e.V), this article provides unique case study insights into Hamburger SV (HSV) football club. The main findings reveal supporter ownership is democratic, involving different actors, membership and advisory groups, who contribute to carrying out different governance functions. However, HSV have experienced challenges to their business model, primarily due to financial constraints influencing the club’s competitive advantage. Moreover, the ever-growing number of members has resulted in the dilution of the Supporters’ Club core philosophy. The qualitative findings have been able to provide practical implications to the nonprofit governance literature in relation to multilevel governance structures and subsidiary Boards.

Keywords

supporter ownership, mutuality, nonprofit governance, sport governance, members’ associations

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Introduction

Ferkins and Shilbury (2012) state that one of the main influences affecting modern day sports organisations are the issues surrounding corporate governance. These issues have come to fruition in recent times due to the transition of sports organisations from an amateur/volunteer structure to a more professionally managed entity catering for the needs of a more sophisticated sport marketplace. Hassan and Hamil (2010) argue that until recently key stakeholders involved in the management of professional sport clubs have possessed a relatively straightforward understanding of corporate governance. Essentially, this has meant that *‘professional sports clubs have remained under the ownership of private companies or mutual associations and that these entities appropriately reward athletes of varying abilities for their role in delivering a sporting product’* (Hassan & Hamil, 2010:344). As a result, professional sports organisations have adopted governance systems, which deviate from normal business practices.

Hassan and Hamil (2010) highlight that the key objective of most clubs still remains the achievement of ‘on-field success’ irrespective of the level of competition. This pursuit of ‘on-field success’ has seen many sports clubs adopting a business approach which has encouraged them to ‘live beyond their means.’ However, in the past this risky business strategy involved reasonably low financial stakes that did not affect the overall equilibrium within the sports industry and meant that the game followed a predictable course. In recent times, the changes in sport management (e.g., the shift from a committee or council of representatives to a modern Board of Directors, the introduction of paid Executives, player payments, increased income and expenditure, media scrutiny and a wider range of stakeholders) have presented major strategic issues to those responsible for governing sport organisations. Governance for many involved in the sport sector has been an invisible process something that occurs as a matter of course. It

is not until an organisation encounters difficulty that the spotlight is focused on this aspect of sport management. While the status and legitimacy of the group charged with governing the organisation remains the professionalisation of many sport organisations and has signalled significant change for the work of the Board in governing the organisation. As a result there has been a plethora of academic research published on the role of a nonprofit Board responsible for a sports organisation (Enjolras, 2009; Hoye & Doherty, 2011;) governance implications working within this industry (Balduck, Van Rossem & Buelens, 2010; Farquhar, Machold & Ahmed, 2005;) and how to achieve organisational effectiveness through sustainable governance practices (Ferkins & Shilbury, 2012; Hoye & Doherty, 2011; McDonald & Sherry, 2010).

Sport governance literature, especially in the last few years, addresses issues of practice. In particular, it provides a deeper understanding of the relationship between volunteer Board members and the paid Executive in terms of shared leadership and perceived influence (Ferkins & Shilbury, 2012; Ward, Scanlon, Hines, 2013; Wilson, Plumley, Ramachandani, 2013). There is consensus in the literature about the increasing centrality of the paid Executive in governance decision-making but some argue as to whether this is a positive or negative influence on organisational effectiveness (Callen, Klein & Tinkelman, 2010; Herman & Renz, 2008). The motivation to serve on a Board and the needs of Board members sheds some light on the characteristics of people involved in such critical roles as do questions of Board structure and roles. There are also connections that can be made between findings from the sport governance literature and the question of Board strategic capability (Wajeeh & Muneeza, 2012; Weitzner & Peridis, 2011;). The research on shared leadership indicates diminishing responsibility for strategic development by the Board (Branston, Cowling & Sugden, 2006; Stone & Ostrower, 2007; Vidovich & Currie, 2012). The research on Board motivation suggests that in order for Board members to be active strategically their needs must be met in some way (Li & Srinivasan, 2011; Pergola & Joseph, 2011). From Brown and Guo's (2010) work on role definition, there

is evidence to suggest that the strategic role of the Board is blurred between the Board and the Chief Executive. While sport governance research has not directly considered the structure variable, other research on Board structure confirms the importance of the partnership between structure and strategy (Nezhina & Brudney, 2010).

The aim of the article is to critically analyse governance structures within German supporter owned football clubs. The paper is divided into three sections. First, the theoretical framework is introduced with a review of the literature relating to governance structures and members' associations within the organisation of professional German football clubs. Second, the research methods employed are described and justified. Finally, the results are detailed along with a discussion of the findings, which is concluded by recommended future research.

THEORETICAL FRAMEWORK

The Deutscher Fußball-Bund (DFB), represents over 25,000 football clubs which have nearly seven million members amongst them (DFB, 2014 [online]). The 36 professional football clubs of the Bundesliga and Bundesliga 2 (equivalent to the English Premier League and the Nationwide Championship) have a combined membership of 1,000,000 and this number continues to increase (Kicker, 2014 [online]). Structured as registered members' associations (eingetragener Verein (e.V.)) football clubs in Germany are nonprofit organisations owned by their members. Any revenue has to, by law, be reinvested back into the club. Consequently, the status of football clubs in Germany as members' associations implies certain social characteristics that differentiate them from other types of organisations (Pilz et al., 2011). The first characteristic within a members' association is that people associate and pool resources to further their shared interests. The second is that decisions are made and leaders are elected through democratic decision-making structures ('one member, one vote'), which offers every member equal opportunities for participation and influence (Wajeih & Muneeza, 2012).

During the past decade, German members' associations as well as football clubs in other European countries have been impacted by the commercialisation and professionalisation of the football industry (Neubauer, 2009). The very nature of sport economics encourages financial investment by a club to improve their squad of players and back room staff to enhance sporting performance of the team (Frick, 2005). Consequently, clubs are interested in generating additional commercial revenue to boost playing budgets. Furthermore, making efficient management and investment decisions helps to make the best use of generated revenues. Therefore, football clubs also aspire towards a professionalisation of the leadership and management control structures (Bauers, Lammert & Hovemann, 2013). While these interactions are widely accepted, criticism is expressed regarding a 'hyper-commercialisation' and total economic orientation, where economic arguments adopt an all-dominating role which impacts on social, traditional and cultural aspects which receive less attention (Giulianotti, 2005).

Consequently, the efficient institutional arrangement of football clubs has created controversial debate within the academic literature (Franck, 1995; 2000). Franck (2010) identifies a dilution of property rights for members' associations, which can lead to an erosion of incentives offered. This may also cause a decrease in contribution, an inefficient usage of resources and insufficient control and leadership of the differing Boards and actors within these football clubs. In addition, he recognises disadvantages regarding the institutional possibilities to tap sources of finance (Franck & Dietl, 2007; Frick, 2005). Moreover, Franck (2010) sees disadvantages for football clubs being run by members' associations especially in comparison to football clubs with a single investor. Dilger (2009) analyses how and why members' associations can be beneficial especially in a sporting context. One advantage is that members of a club act as an unintentional consumer cooperative, as they do not intend to generate profits through their engagement with the club, but through the achievement of sporting success and collective experience.

Sport-sociological and sport-political arguments are also relevant to the debate due to the non-financial importance of football clubs for their members and the society (Vidovich & Currie, 2012). In this context some arguments have been mentioned by the German Football Association (DFB, 1999) within a paper of basic values, which forms the basis for the '50 + 1' rule (51% majority share must remain with the Supporters'). There, it is mentioned that a heteronomy of the professional football department of a football club and accordingly a heteronomy of the sporting competition (through investors) should be excluded to avoid a possible negative impact on the sporting competition. Furthermore, a link between professional sport and grassroots sport needs to be preserved. Since 1998, the German Football Association allowed clubs to 'spin off' their licenced professional team from the members' association into an external limited company to attract external investors (DFB, 1999). Two practical arguments were put forward in favour of a 'spin off' and investor involvement. Firstly, a 'spin off' should enable more professional structures as corporate law and not civil law for members' associations is applicable. Secondly, a 'spin off' allows the selling of equity capital and the raising of funds (Dietl & Franck, 2008). However, the civil law for members' associations in Germany is very flexible and allows members' associations to build up professional structures (Adam, Lammert & Hovemann, 2014). The selling of equity capital from a 'spun off' subsidiary company entails the waiving of future cash flows and voting rights.

If the club decides to undertake a 'spin off', the legal form of the members' association does not lose its stature, as the '50 + 1' rule demands that a 50% plus 1 vote majority of voting rights must always belong to the members' association. In the case of a 'spin off' and if the football club has external investor involvement, the members' association or parent club, in general remains the superordinate institution and private investors' interests are always subordinate to those of the members (Adam, Lammert & Hovemann, 2014). German civil law enforces a few minimum requirements for members' associations to meet, for example the existence of the two

institutional bodies of the General Meeting and the Board. However, some members' associations have developed their own organisational structures beyond the legal requirements and have implemented voluntarily additional bodies, such as Supervisory Boards, Disciplinary Boards, Auditing Committees or Election Committees. These additional internal structures have been implemented to strengthen the club's governance mechanisms and become more professional (Müller, Lammert & Hovemann, 2012). The ownership of a football club by its supporters has obvious attractions. Through the principle of 'one member, one vote', members would have an equal say in important decisions, and could propose resolutions at general meetings of the club (Ward, Scanlon & Hines, 2013). The involvement of supporters would be reinforced through a mutual constitution, with no conflict of interest between owners and supporters (Kennedy & Kennedy, 2012).

RESEARCH METHOD

Case Study

The case study approach predicated the need to offer insights into the understanding of the phenomenon of supporter ownership of football clubs in order to add to the body of knowledge. These insights included new meanings, confirming the researchers existing understanding and/or explained the reasons for the problem within supporter ownership of football clubs, illustrated the multilevel governance structures within a supporter owned football club and provided further generalisation and applicability (Eisenhardt & Graebner, 2007; Yin, 2014). Within the academic field, there is a variety of definitions to explain the characteristics of a case study. Yin (1994) uses such terms as exploratory, descriptive and explanatory. Whereas, Patton (2002) describes case studies as descriptive, interpretive and evaluative. Stake (1995) describes case study categories as intrinsic, instrumental and collective. Although the variations in case study design and application are complex and sometimes blend into each

other, Table 1 summarises some of the main distinctions in the use of application of case method according to each of the three basic ontologies.

Table 1 - Key Features of Case Method Informed by Different Ontologies

	<i>Realist (Yin)</i>	<i>Relativist (Eisenhardt)</i>	<i>Constructionist (Stake)</i>
<i>Design</i>	Prior	Flexible	Emergent
<i>Sample</i>	Upto 30	4-10	1 or more
<i>Analysis</i>	Across	Both	Within case
<i>Theory</i>	Testing	Generation	Action

(Source: Easterby-Smith, Thorpe & Jackson, 2008:99)

According to Skinner and Edwards (2005:418) the similarities of the terms may be grouped as such:

- Intrinsic and Descriptive
- Instrumental
- Interpretive and Explanatory
- Exploratory and Evaluative

This research has taken the interpretive and explanatory route as the research objectives set were more about interpreting and theorising about the supporter ownership phenomenon. This research has looked at the ‘why’ questions and, unlike a descriptive case study, has aimed to contain a greater level of analysis and conceptualisation in the final findings. For the purpose of this study the researchers focused on the ‘German model’ with specific reference to a club who operates as an eingetragener Verein or (e.V). These registered members' associations were the only way which clubs were allowed to structure themselves prior to reforms made in 1998, which as a response to the increasing commercialisation of European football, allowed the professional football divisions of clubs to be run as external limited companies. They are nonprofit organisations, owned by their members and managed under a strict principle of transparency by democratically elected representatives. All revenues generated are reinvested

in the club. Three clubs were identified - Hamburger SV (HSV), VfB Stuttgart, Schalke 04. Following contact to all three stated clubs from the researchers to visit, HSV were the only club to respond. The findings identify common aspects of the ownership, control and governance structures within HSV and provide 'rich data' evidence on the mutual business model in football clubs (Cornforth, 2012).

Data Collection Methods

The methods of data collection employed for this research involved conducting semi-structured interviews with key personnel within HSV and completing an extensive secondary documentary analysis. The key respondents from HSV were selected for interview by applying a purposive sampling technique (Yin, 2014). This technique enabled the researcher to select interviewees purely on the basis that they would be able to provide information relevant to the research. The Key respondents interviewed at HSV were:-

- Andreas Birnmeyer, Managing Director of the Supporters Department (has been Head of the Department since 1992 when it became an integral part of the football club).
- Jens Wegner, Elected Board Member on the Supervisory Board (has been a Board member for 8 years and elected three times by HSV's members).
- Oli Scheel, Elected Supporter Director who sits on the Club Board (has been an elected Supporter Director for 6 years and was responsible for members' matters, also he was able to provide viewpoints from the Club Board whilst considering discretion regarding confidential information).

The interview questions set to understand the macro and micro influences which impacted the ownership structure of the football club. These sets of questions helped illustrate in further detail the circumstances leading up to a deeper involvement of supporters' within the football club and identify the main reasons why a change of governance structures was deemed

necessary. The literature review also highlighted that a substantial amount of research, which had been conducted in the nonprofit and sport governance field, had explored the role played by Board's in the direction and running of the club. This area formed the basis for the next series of questions (Ferkins, Shilbury & McDonald, 2005; Hoye & Doherty, 2011; Miller-Milleson 2003). Questions were specifically included to understand how the football clubs' structured their Boards, implementation of their strategic plan and the instigation of good corporate governance practices within the organisation (Cornforth, 2012). Each interview took two to three hours to complete and all took place at the club. While it is difficult to generalise from one case study and assume that supporter ownership is applicable at all football clubs, the main objective is that the diversity of HSV would provide a robust examination of this phenomenon, especially in terms of the multifaceted governance structures adopted by the club.

Data Analysis

Following Corbin and Strauss's (2008) and Yin's (2014) approach to data analysis, the case has been written up as a 'holistic and comprehensive narrative'. Rather than supplying every detail, the research provides a summation of the key findings using the pattern matching approach. However, in accordance with Yin (2014) all data has been adequately documented to allow other researchers to follow the procedural and decision trail. This methodological rigor provides 'audibility' to the final findings included in this article. The researchers immersed in the data from the case study through numerous readings of interview transcripts and secondary data, commenced data reduction through coding emerging themes and data interpretation before writing up the final analysis and discussion. Once the data was analysed, the use of case study method allowed the researchers to classify, compare, and describe the findings in a more meaningful way. Fereday (2006) notes that case studies allow for the classification into categories and the identification of interrelationships between these categories from the data acquired. The interview transcripts were typed and categorised electronically and the verbatim

responses were uploaded onto the NVIVO software package. The semi-structured interview transcripts were then cross-referenced with analysis of secondary documents.

Secondary Documentary Analysis

Yin (2014) listed six sources of evidence for data collection in the case study protocol; documentation, archival records, interviews, direct observation, participant observation, and physical artefacts. Documentary analysis was undertaken to review governance information of HSV before the researchers visited the club to interview. These documents varied from annual reports, Board Meeting minutes, company policy documents, brochures and leaflets. Data was then collated from these different documents sourced, to analyse the football clubs' performance, corporate governance strategies and overall management of the organisation. This included HSV's written evidence submitted in response to the UK's Parliamentary Football Governance Inquiry in 2011 (HSV, 2011 [online]). Newspaper reports on issues of compliance and governance focusing on HSV and the Bundesliga were used as a secondary source. HSV's website and fan blogs were also studied. Finally, the researchers became members of the football club and attended several supporters' AGM's and the recent EGM in May 2014.

RESULTS

This section provides a detailed insight into HSV's ownership and governance structures. The findings from HSV illustrates a brief history of the club and documents the macro and micro influences on the formation of the Department of Supporting Members (Supporters Club) within the members' association of HSV (also known as a Supporters' Trust in the U.K.). In addition, raising funds, governance structures and attracting membership are analysed. Commercial operations reviewing the club's business strategy and alternative revenue streams have also been discussed. This case study focuses on HSV's business activities from when the

Supporters' Club became an integral part of the football club from August 1992 to July 2014. Main themes (using NVIVO) prominent from the primary and secondary research undertaken are used to draw out the key areas for consideration.

Hamburger SV (HSV)

People Power

HSV was formed in 1887 and upon the foundation of Germany's first professional league in 1963, were one of sixteen clubs invited to participate in the first season, and have competed in the top flight ever since. The club's golden age took place between 1976-1987, during which time they won three Bundesliga titles and reached two European Cup finals, winning one in 1983. However, by the late 1980's the club had stagnated, and the low point came in the 1991/1992 season, finishing in 11th place. Andreas Birnmeyer, Managing Director of the Supporters' Department explained that *'The foundation of the Supporters' Club was a reaction of fans who wanted to be more involved in the governance side of the club, in addition to following the club and watching matches. They wanted to participate in running the club and having their say. They wanted some sort of democratic aspect to their involvement. Fans wanted to make their thoughts known by being active members to stop the culture of the club as 'we decide what you do and you have to take it or leave it.'* (Interview, June 9, 2011).

The club utilises and adheres to the 'one member, one vote' philosophy and do not have any shareholders within the business (no 'spin off' and no external investors). However, it is important to note that this 'one member, one vote' does not mean that if one member has invested a €1000 then this member has a 1000 votes. Instead of investing, each member pays a yearly membership fee which is currently €48 and through their membership subscriptions all have an equal say/vote in the football club. This democratic structure has been implemented throughout the business. Membership numbers and attracting as many fans as possible to

subscribe was of paramount importance for the Supporters' Club at HSV. HSV and its Supporters' Club are very proud of their membership numbers and have managed to exceed average home attendance (75,000 members, average home attendance 55,000). HSV's Supporters' Club have proactively and consistently focused on increasing and maintaining their membership since their formation in 1992. As Jens Wagner, ex-Board Director of the Supervisory Board recalled *'the idea was to bring the fans into the club so we could change the clubs' political ideology. On one hand we are seen as a service to organise fans affairs, i.e. away trips, sports clubs that sort of thing and then on the other hand we are seen as a political organisation representing fans views on how the club was being run'* (Interview, June 9, 2011).

Governance Structures

HSV have a Supervisory Board and a Club Board with twelve Directors elected on the Trust Board and up to five Directors on the Club Board. Elected Directors of the Supervisory Board have a term of four years but can have their position terminated within this time if they are not deemed to be fulfilling their role properly. Andreas Birnmeyer highlighted that the Football Club have also instigated a policy within their election process so *'these people are only elected for four years and every two years we elect 50% of them again. It used to be one election every four years but we decided against this because it was possible that eight could be elected in one AGM and three coming from the Supporters' Club (Amateur Sports and the Seniors) who are delegates on the Supervisory Board. We could have a situation where all eleven are new and would not know how things are done'* (Interview, June 9, 2011). This change of election process has enable the club to keep their Boards fresh by regularly evolving personnel.

Table 2 illustrates that HSV have several smaller Boards who are responsible for different operational activities of the Football Club. The Supervisory Board and Club Board meet every quarter for strategic planning unless an Extraordinary General Meeting (EGM) is called. The

Club Board can make their own decisions and set their own strategy on what the playing budget is spent on (a maximum of €500,000) without the approval of the Supervisory Board. Tensions between the Boards inevitably occur but as Andreas Birnmeyer notes *'there is not as much in-house fighting as there once was. At one time there were clear divisions between the business side of the club and the more sustainable side of the club. The business side would push for selling the club's assets to receive private investment, the sustainable side would argue we haven't won anything for 25 years, we can wait five more years. Don't forget the club is more important than success'* (Interview, June 9th, 2011).

The Supervisory Board may call an EGM if they are unhappy or concerned about the strategic effectiveness of the Board of Directors. Furthermore, if the Club Board wishes to change any of the statutes or working policies within the football business they need to seek approval from the Honorary Board as well as the Supervisory Board. Oli Scheel, Director of Membership Affairs recollects when tensions were high between the two main Boards in 2005, *'the Club Board wanted to challenge and ultimately change the structure within the football club to gain more private investment to spend on players. On the request of the Club Board the club opened this proposal out to the members to utilise their 'one member, one vote'. The members overwhelmingly voted against the proposal with the majority happy to remain with the current structure even if this affected the football team's on-pitch performances'* (Interview, June 9, 2011).

The Supervisory Board Directors are unpaid and rely on volunteers but the Club Board Directors are paid a salary and are employed as full time employees. While the first are elected as mentioned above, the members of the Board of Directors are appointed by the Supervisory Board. There is one exception to this rule, which relates to the Director of Membership Affairs. Directors who have volunteered to work on the Supervisory Board were either retired, employed or self-employed.

Table 2 – HSV Board Structures & Responsibilities

Board Name	Main Responsibilities	Board Structure
The General Meeting of Members	<ul style="list-style-type: none"> • The meeting of members is the highest decision making body within the club. • To vote, you must have been a member for at least 6 months and aged of 18 or older. 	<ul style="list-style-type: none"> • The general meeting of members elects 8 of the 11 members of the Supervisory Board. • They elect the members of the ‘Honorary Board’ and the club’s internal auditors.
The Honorary Board	<ul style="list-style-type: none"> • These are 7 club members who are older than 35 and who have been members for a minimum of 10 years. 	<ul style="list-style-type: none"> • They are elected directly by the General Meeting of Members.
The Board of Seniors	<ul style="list-style-type: none"> • The Board of Seniors, who consists of up to 7 members, leads the ‘Community of Seniors’. • The Board elects one delegate for the Supervisory Board 	<ul style="list-style-type: none"> • The Board are mainly concerned with maintaining image, tradition and unity within the club.
Department of Supporting Members (Supporters’ Club)	<ul style="list-style-type: none"> • The Department of Supporting Members has a Board of up to five members, which leads the Supporters’ Club and is elected at the department’s annual meeting. 	<ul style="list-style-type: none"> • The Supporters’ Club is mainly concerned with organising activities for its members. • The Supporters’ Club elects one delegate for the Supervisory Board.
The Auditors	<ul style="list-style-type: none"> • The Meeting of Members elects the two club’s internal auditors for a period of four years. 	<ul style="list-style-type: none"> • Bi-annually, they check the club’s accounting and report directly to the members.
The Amateurs Board	<ul style="list-style-type: none"> • The Amateurs Board is elected in the course of the annual meeting of all the HSV amateur sports departments. 	<ul style="list-style-type: none"> • They are responsible for all non-professional sports within the club. The amateur departments elect one delegate for the Supervisory Board.

The main limitation to voluntary Board members was the inability to dedicate enough time to the job due to commitments from their paid work or activities away from the club. These extra curricular activities also made meeting up on a regular basis difficult due to time constraints.

As Jens highlighted *'if you work on the Supervisory Board you need to be able to honour a part time unpaid job within the club, which requires commitment, self-motivation and a real passion for HSV'* (Interview, June 9th, 2011). The main benefits highlighted were the diverse range of skills the club has received from the volunteers who have worked for the club. Furthermore, the club had successfully recruited 'new blood' onto their Board (primarily due to the club's nomination/election process) who had been able to meet the evolving challenges as the business grew. Andreas Birnmeyer stated *'that the main advantage of having an independent voluntary Supervisory Board is that they are far more direct in their approach than they would be if they were paid full time members of staff'* (Interview, June 9th, 2011).

Source Alternative Revenue Streams

During the 2013/14 season Hamburger SV's experienced an increase in revenue of €14m to €135m (HSV, Annual Accounts, 2014). Their recent league positions have meant that the club would not compete in European competitions resulting in a drop in TV and gate receipt income in recent seasons. Matchday revenue represented the most important revenue stream to the football business with 37% coming from this source (Deloitte, 2014). HSV's commercial revenues are supported by an extended deal with shirt sponsor Emirates, running until 2014/15 and the six year stadium naming rights deal with Imtech, worth a reported €4.2m (£3.8m) per season through to the 2015/16 season (Deloitte, 2014). In addition, the club have secured a deal with a wealthy local businessman in the logistics industry. As Jens Wagner stated this was not to the liking of the members as it went against the philosophy of the football club by pursuing external private investment. Jens explains that the deal was *'for €15 million Kuehne Logistics gets the transfer rights of 30% of five players. So that means if we sell a player for €20 million then he will get €6 million back as his return on his investment'* (Interview, June 9, 2011). HSV's commercial operations underpin the club's alternative revenue strategy and have remained fairly resilient to the club's on-pitch difficulties.

External Stakeholder Pressure

During the 2013/2014 season the mutual philosophy of the football club came under internal scrutiny and intense pressure once more. In Autumn 2013, several wealthy HSV member's announced that they were willing to invest to boost the playing budget. In return they stipulated that they wanted the professional football department to be 'spun-off' and were sold 24.9% of its equity capital. As Oli Scheel explained *'Their reasoning centred on HSV reforming to a more professional structure to become more competitive. Their frustrations had built up over several seasons of poor League finishes. Obviously this proposal of investment and their demands did not embrace the democratic culture within the club'* (Telephone Interview, 2nd May, 2014). However, events were to unfold, boosted by a high profile and sophisticated media campaign to rally support amongst the members. The campaign soon gathered momentum to put pressure on the mutual structure of the club, the removal of what they saw as ineffective governance structures and for the club to 'spin-off' their professional football department into a public limited company similar to their rivals Bayern Munich.

Opinion was divided once more and politically active members loyal to the (e.V.) structure launched their own media campaign entitled - HSV Not For Sale (Supporters Direct, 2013 [online]). On the pitch, HSV narrowly escaped relegation with a 0-0 draw at home and an 1-1 draw away against Greuther Fuerth during their final relegation play-off game. In May 2014, an Extraordinary General Meeting (EGM) was called for members to vote on the proposed 'spin-off' structure, the intended sale of 24.9% share of the professional football department to private investors (anything equalling or over 25% entitles special minority rights for private investors) and restructuring of the members' associations statutes. A total of 86.9% of the 9,702 participating members voted in favour and the re-structure was actioned.

DISCUSSION

Evidence showed that HSV were adhering to collective decision making processes, albeit at times, being slower and overly bureaucratic. HSV adhere to democratic decision making across their two Boards and held an Annual General Meeting (AGM) and if necessary an Extraordinary General Meeting (EGM). Members of HSV were not found to be involved in key decisions relating to the football club (Franck, 2010). Instead, they were informed and educated about the important strategic and operational decisions made by the club through various media outputs and the AGM. HSV reiterated the importance of being seen to be 'inclusive' and honest and transparent in their approach with their key external stakeholders. Promoting democratic principles should be implemented internally and externally throughout two or more Boards, utilising the 'one member, one vote' policy and by elections of the Board Members' appointed on the Supervisory Board.

The Supporters' Club have to focus on maintaining this mutual empathy among their fan base to ensure that the majority are still in favour of the current structure despite the changing external environment. Interestingly, the core of the most politically motivated Supporters' Club members at HSV feel that the ever-growing number of members has resulted in the dilution of the Supporters' Club main philosophical stance. They feel that many fans are joining as members to the Supporters' Club to receive match day benefits and reductions on merchandising rather than contribute to the political cause of the Supporters' Club. However, this large membership number does have a financial advantage and creates a feeling within the club of political power (Vidovich & Currie, 2012; Wajeih & Muneeza, 2012). The Supporters' Club have been able to raise the club's credibility and gain the respect from HSV's external stakeholders due to the way they have gone about promoting their business since becoming part of the club in 1992. Lucrative sponsorship deals have been attracted by the large membership HSV had in place and the exposure this would bring to their brands.

This research also highlighted the principal disadvantages, which were primarily in relation to decision-making, competitive advantage and finance. A common problem identified within HSV was the inability of some voluntary Board members to cope with the amount of work required of them (Brown, Hillman, Okun, 2011). The Supervisory Board were found to have a proportion of Directors who were retired, however, a large proportion of Board members were in full time employment or were self-employed. Consequently, many of the Supervisory Board members were working full time during the day in their paid role and then dealing with football club matters during their lunchtime, after work or at weekends.

The nature of sport and in particular football is that the results on the pitch will always be the paramount concern for all involved at the club (Reid & Turbide, 2011). The philosophy of the Supporters' Club is to try and achieve this aspiration on the pitch without jeopardising the financial future of the club. These differing viewpoints coupled with a rise of what could only be described as an 'arms race' by the majority of football clubs to gain this success will always result in tensions (McDonald & Sherry, 2010). What has become apparent from the findings is the difficulty of the HSV's Supporters' Club to rally support for their viewpoint and educate fans to share and understand their ethos, particularly, with inconsistent form on the pitch. Inevitably, the lack of success on the pitch over the past few seasons as well as the narrow prevention of relegation has placed intense internal and external pressure on the historic ownership model at HSV. Over a 23-year period since 1992, the Supporters' Club at HSV has managed to survive several attempts to follow their Bundesliga competitors in restructuring to attract private investment. Unfortunately, with the recent rise of other German football clubs (operating with a 'spun-off' professional football department) enjoying domestic and European success Borussia Dortmund and Bayern Munich) it has placed fierce scrutiny on the overall structure of HSV.

A contributory factor in the end could have been the pursuit for a large membership and the offer of attractive rewards in return for their subscriptions. Were members only joining for these rewards or were they wanting to join the political core of the Supporters' Club who truly embraced the ethos and philosophy of HSV? It can be surmised that the large membership HSV boasts did include a high percentage of politically uneducated fans within the club. The recent members meeting in May 2014, received a record attendance of 9,702 members participating to vote. The members' association still has 75.1% control of the 'spun-off' professional football department and want to continue with the same superordinate structure.

CONCLUSION

This paper examined literature on nonprofit governance and sport governance, which has demonstrated that sport governance research has begun to address critical environmental issues such as challenges to decision making, the demands of multiple stakeholders, the changing environment and Board leadership. A consideration of the mature bodies of knowledge in the corporate and nonprofit governance literature as well as selected aspects of organisation theory highlights relevant theoretical influences for football contexts. These influences focus on concerns around ownership and control of corporations and probe issues such as manager dominance and control of the shareholder interests. National sport organisations too are grappling with the growing dominance of management involvement in governance, signalling a potential retreat by volunteer Board members who have traditionally been elected to protect the interests of membership. Naturally, an incoming CEO of a football club will be interested in the commercial basis of the sport and will look to opportunities to generate revenue to sustain and develop existing and new programs. The CEO inexperienced with the sport environment might not be able to balance commercial interests against the interests of the membership at large, which includes the way in which strategic decisions are made. If, as the literature suggests, volunteer Board members are ceding control to paid professionals, this potentially

leaves the interests of the membership-at-large, unattended. The nonprofit literature has also helped identify the additional complexity faced by nonprofit Boards in achieving organisational outcomes.

Interestingly, the literature review of the German model highlighted that prior to 1998, German football clubs were structured as pure members' associations, which was a structure all the clubs had adopted from formation. However, through growing pressure amongst the football clubs that this structure was limiting their ability to successfully compete on the pitch and against their European counterparts' legislation was revised. Since these revisions, German football has seen the introduction of the '50+1' rule which still protects the ethos of football clubs remaining under the ownership of supporters but has enhanced the ability of the football club to attract outside investors. German football clubs have experienced limited willingness of investors and have not seen the rise of foreign owners wanting to be involved in the Bundesliga due to the '50+1' rule preventing them becoming the majority shareholder. As with all regulations several clubs, have found loopholes in the system or have received special dispensations to pursue alternative financial arrangements. In reality, several German clubs have decided to 'spin-off' their football business in order to make investment more attractive.

Recommended future research would be to provide further qualitative studies to the academic field pertaining to mutuality within football. In particular, more studies are needed in similar sized clubs to HSV in Europe adopting the mutual model such as Real Madrid FC and Barcelona FC (Hamil, Walters & Watson, 2010). To further enhance our understanding of German football and their structures additional qualitative studies focusing on the different supporter ownership structures in operation in the Bundesliga would be extremely beneficial to the academic field. Findings from such studies would provide detailed insights of other business models in existence which still encompass supporter ownership or supporter control.

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